

# Exhibit 4



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## Interview with President Bush

### **Kudlow & Company**

MR. KUDLOW: Thank you very much for your time. Let me begin with the jobs report. It's the big issue this morning, up 138,000. The stock market loved it right off the bat. What is your view?

PRESIDENT BUSH: My view is the 138,000 job increase for the last month is an indication that this economy's still strong. My first reaction, when I hear new jobs are being created, I say that's good, we got people working. We want people finding work, and gosh, I remember, you know, I remember, back when I first came in here, the job market was falling off and a lot of Americans were wondering whether or not we'd ever get back, get our footing back, you know, and we cut the taxes, there was a big debate here, in Washington, D.C., and "cause this won't help the economy." So the 138,000 remind me that not only are people working, which is good, but that the tax cuts are working, and the economy's strong and vibrant, and we need to keep it that way.

MR. KUDLOW: The economic power of lower tax rates is still so controversial, you know, years after Ronald Reagan started it.

What do you say to critics who harp on that and who say these are just tax cuts for the rich?

PRESIDENT BUSH: Yeah. You know, it's clearly a mantra of some who want the government to have more money to spend and so therefore they say, you know, all you're doing is benefiting the rich.

A couple of points I'd like to make on that. One is that if you look at the tax code after we cut taxes, for everybody who paid taxes, by the way, the tax code is more progressive. The richer people in America pay more of the tax load than they did prior to the tax cuts. That's a fact.

Secondly, most small businesses pay tax at the individual income tax level. If you're subchapter S, or a limited partnership, you pay tax as if you're an individual. And so when you cut, when we cut all rates, you're really helping the small business sector grow and prosper, which is two benefits. One, most new jobs are created by small businesses, and so when the small business owner has got lower taxes, which means more capital to invest, that means that he is, or she, are more likely to be able to expand the job base of their company.

And secondly, you know, when you cut taxes and make it more beneficial for someone to own a small business, you really expand ownership in our society, and one of the wonderful things about America is the fact that we've got people owning something.

We've got more people owning a home than ever before. I want people owning and managing their own health care accounts through health saving accounts.

And the idea of more small business owners is such an important part of a hopeful future for the country.

So the tax relief is not only, you know, it's benefited small business owners and it's benefited the economy as a whole, and at the same time has made our tax code more progressive.

MR. KUDLOW: The economy looks like it's just hitting on all cylinders. I call it a boom. Sometimes I say it's the greatest story never told. And that's what I want to ask you, sir.

You've been out selling the economy and the tax cuts with gusto in the last week. But many people say, well, where were you earlier? Why weren't you out selling it before this?

PRESIDENT BUSH: Well, actually, I had been. I've been talking about the, you know, the 5 point, now 2 million jobs, since spring of 03. I mean, I've been spending a lotta time on the economy.

The problem is that, you know, we're in war, and sometimes it's hard for people to get a positive message about the economy when they're troubled by, you know, scenes of violence on the TV screens.

You know, the gasoline prices went up, which creates uncertainty amongst some of the American people.

And finally, there's the sense, a kind of a dread of competition out there. People are wondering whether or not America has what it takes to compete in a global experience.

And so the numbers have been good, and the facts are good, but there I must--I think it's wise to recognize there are some troubling, you know, aspects of today's society, which may make it more difficult for me to get my message through. But I am still gonna talk the facts, the facts are stubborn things, and the American people have gotta know that this economy is strong and we've got a plan to keep it strong.

And at the same time they gotta know that we have a duty to protect ourselves from potential harm.

MR. KUDLOW: The Wall Street Journal has an editorial this morning talking about this huge overspending in the emergency budget bill in the U.S. Senate. They say this is a challenge to presidential manhood with respect to a veto. Will you veto it?

PRESIDENT BUSH: Absolutely.

MR. KUDLOW: What has stopped you from vetoing bills before this? Cause as you know, you have your critics, particularly on the conservative side of the spectrum, who believe you have been an overspender.

PRESIDENT BUSH: Yeah. You know, I hear that of course. First of all, when a president issues a veto threat and Congress then says, well, let's take him seriously, and then meets the president's needs, you end up not vetoing something.

Secondly, here's the way the budget process works, at least from the, from my perspective, from the

presidential perspective.

I sit down with members of the Congress, after having come up with a budget that we think we can live with, and say to them here's the budget, here's the budget we've like to work with you on.

And they've met my numbers every single year since I've been the president. We've reduced--there's two types of spending. There's discretionary spending and there's mandatory spending. Mandatory spending is Social Security and Medicare, which we probably need to talk about here on this show.

Discretionary spending is that which we control on an annual basis. Every year since I've been president, the rate of discretionary spending has declined, and actually was cut last year. In other words, there was a negative increase on discretionary spending, other than that for the military and homeland security.

And so I say to people, when you sit down and negotiate a budget with the Congress, and they meet your numbers, how can you veto appropriation bills after you've agreed to an overall number?

Now people say, well, within the budget, or within the appropriation bills, they're spending things that they shouldn't be spending money on.

And my answer to that is, if you want the president involved in the process, give him the line item veto.

You know, we've done a very good job of working with the Congress. The speaker and the leader of the Senate want to work with the president, to be fiscally responsible, but here's the problem in terms of kind of the numbers that people see right now.

One is we're at war, and I will spend what it takes to win the war and support our troops.

Secondly, we've been dealing with, you know, for example, last year, an unexpected disaster, Katrina.

Thus far we're over \$100 billion. Nevertheless, having said all that, because of our pro growth economic policies which are yielding more tax revenues than anticipated, and being fiscally wise on the discretionary side, we're on the way to cut the deficit in half by 2009.

MR. KUDLOW: But you've probably seen a study, USA Today, social safety net spending on the domestic side, in five years, 2000 to 2005, up \$1.3 trillion, a 22 percent increase. It's the biggest, sir, since LBJ's Great--

PRESIDENT BUSH: Yeah.

MR. KUDLOW: --Society. That is the criticism that you have. How do you respond to--

PRESIDENT BUSH: Well, I don't know what--I presume that covers Medicare and Social Security as well.

MR. KUDLOW: Indeed.

PRESIDENT BUSH: Those are mandatory spending items. The--in other words, the money is not spent through the appropriations process per se. It is spent by formula. And my answer to the critics is this. We need a--we need people to come together, set aside all the politics and do something about the unfunded liabilities inherent in Social Security and Medicare.

And to me, the biggest spending issue, the biggest problem for America in the future is to make sure that we do something about the unfunded liabilities inherent in Medicare and Social Security because of a new group of people getting ready to retire. That'd be me and you, Kudlow. And we're living longer than ever before and there are fewer people paying into the system.

And listen. We can deal with the current account deficit by being wise about how we spend money, and keeping pro growth policies in place, and we are. We're gonna cut it in half by 2009.

But there's a financial overhang that will affect capital markets, that'll really test whether or not the Congress and the president have got the resolve necessary to do hard things now before it's too late, and that is to reform and strengthen Social Security and Medicare.

I took this issue on last year. Now the people understand there's a problem, and I'm gonna work with Congress to put a bipartisan solution out there and get it done. And it's tough. It's tough because there's too much politics in Washington. You know, we don't--

MR. KUDLOW: Looking back at that, sir, would it have been wiser for you to have had your own concrete Social Security plan, rather than to say everything's on the table?

PRESIDENT BUSH: No. I did have the concrete plan. It was a plan that basically said that we can solve the major portion of Social Security problems by slowing benefits for the rich, the wealthier, down to the increase of cost of living, and keeping the poor Americans on a benefit increase plan based upon wage increases and scale it in between for the rest, and it would have solved a lotta of the problem.

I also felt it was very important to help kind of change America by including personal savings accounts as an option for people in the Social Security system.

I think if you look back, Larry, you'd see that of all the presidents who've ever tried to tackle this, I'm one of the ones who's come out with the most specific proposal.

The--and my attitude is, is that in order to reform these programs, we're going to need a bipartisan solution. And so the idea is to get people at the table. They didn't come to the table last time. This time, I'm going to try to get them to the table.

MR. KUDLOW: Okay. Switching gears, sir, your new Fed chairman, Ben Bernanke, seems to have gotten off to something of a shaky start. He told our Maria Bartiromo at CNBC that he was misinterpreted on the Hill. The price of gold has gone up. Bond rates have gone up. The dollar has gone down since he took office.

Is there a possible credibility problem with Mr. Bernanke?

PRESIDENT BUSH: No. This guy's sound, he's smart, he's capable. You might remember, when I first nominated him, he was well-received by most accounts as being a sound thinker who will be independent from the politics of Washington, D.C.

MR. KUDLOW: All right. Let's switch to the gasoline problem which is of course front-page stuff.

A lotta people are saying it was the ethanol mandate, there's a shortage of ethanol-supplied gasoline, the refiners weren't ready, the transporters weren't ready. Fifty cents increase hit right away, to three dollars, causing an uproar. Was the ethanol mandate a mistake?

PRESIDENT BUSH: No, it wasn't a mistake, but there is--there's some validity to recognizing there was supply disruption because of switch to--from MTBE to ethanol. But that's not--there's a lotta reasons why the price of gasoline is going up.

The core reason is because the price of crude oil's gone up. You know, when the Americans see that the price of crude oil's gone up cause of increased world demand, they must understand that that is one of the primary reasons why the price of gasoline has gone up at the pump, and one of the reasons why we've got to use technology to diversify away from heavy use of crude oil, particularly for automobiles.

Secondly, refining capacity has been stagnant. As a matter a fact, during this period of time, refineries that were running full out during Katrina, to help us with Katrina, took off some plants this early spring in order to go through routine maintenance.

And so it's a combination of maintenance activities, coupled with the fact that we haven't expanded our refining capacity in a long period of time.

The remedy to that is for there to be regulatory relief granted to the administration by the United States Congress, which will enable us to permit and allow for expansion and construction of new refineries quicker.

But you're right. There is also a--there was also a market disruption as MTBE came off the market and yet the infrastructure wasn't quite smooth enough to handle the ethanol, the requirement for ethanol to replace it.

But that's being worked out through the market as well.

MR. KUDLOW: Well, yesterday, Energy Secretary Sam Bodman hinted that you might change position on the ethanol tariff, particularly with respect to Brazil. I guess there's a 54-cent tariff on that thing.

And the market responded--gasoline futures dropped nine cents, a huge drop. If you had a few of those you'll be back to \$2.25 at the pump. Will you drop the tariff on--

PRESIDENT BUSH: I do want to work with Congress on that. I think it makes sense to--when there's a time of shortage of a product that's needed, so that the consumers can have a reasonable price, it seems to me to make sense to address those shortages, and dropping a tariff will enable the foreign export of ethanol into our markets, which will particularly help on our coasts. And yeah, I've talked to Congress about that.

MR. KUDLOW: Does it annoy you or frustrate you? You see now there's a banding together of Cuba, China, Venezuela--these are enemies of the United States basically--and they're gonna be drilling for oil and gas 50 miles off the Florida coast but our own energy companies can't do that?

PRESIDENT BUSH: First of all, I wouldn't call China an enemy. I certainly don't want to contradict, contradict you, but China is a trading partner with whom we have a very important and complicated relationship.

Secondly, you know, we are in the process of discussing with Congress how to expand deep water drilling in what they call block 181, which is further exploration in our, off the coast of the country.

Secondly, you know, we've got to open up ANWR. I don't know if the American people realize this.

There's two points I want to make. One, we can explore ANWR in an environmentally friendly way.

I know people think that's just rhetoric. But it's true. It's valid. We can move in during--and drill on basic ice blocks and when there's a melt, you know, remove the equipment so that the tundra isn't damaged. It doesn't take a lotta locations in order to be able to fully develop ANWR, which also means you can protect the environment better.

Had this been done, had we drilled ten years ago, we would have an additional million barrels of domestic oil being produced, which makes us less dependent on foreign oil.

In other words, there are places we can drill for oil and gas in an environmentally friendly way and should be doing so, for the sake of the American consumer.

MR. KUDLOW: Speaking of regulation and deregulation, come back to the business front for a minute, you obviously were a former CEO. There's a lotta talk on Wall Street and among investors that executive compensation has gotten too high.

In your view, sir, is there a role for government to play--

PRESIDENT BUSH: Hmm. No, I think the main governance for executive compensation ought to be at the board of director level. You know, I am staggered by some of the compensation levels, and I think it's very important for boards of directors to understand that they represent shareholders and that compensation packages need to be fully transparent, in easy-to-understand language, so that the shareholders can understand whether or not the compensation package is fair or not.

You know, I'm told that the proxies sometimes are very difficult to understand, that you have to really dig in and try to, you know, make calculations to determine exactly what the compensation package will look like.

In my view, there ought to be a very straightforward, transparent explanation to the owners of the company, the shareholders, and let them come to their conclusion, and the board of directors needs to represent the shareholders, not the management, when it comes to compensation.

MR. KUDLOW: This morning, on CNBC, it was reported that another company looks to be guilty of backdating stock options, which surely is not in the shareholder benefit.

Your thoughts?

PRESIDENT BUSH: My thought is that there's a regulatory body that hold, ought to hold them to account. It's very important for those of us in public office not to be, you know--[mumbles]--expressing belief of guilt or innocence. That's up to, you know, an objective group of people. But we put a good man in the head of the SEC, in Chris Cox, and I'm sure he'll fully investigate that.

Oh, my point, though, to corporate America is, you know, people watch this and they--you know--overcompensating or trying to backdate things is bad for America, and there ought to be consequences when people don't tell the truth and are not transparent.

MR. KUDLOW: You were talking about spending to, for the war to defend the United States.

Let me ask you, perhaps on a lighter note, but nonetheless an important one, this new movie that's out,

United 93, it's an extraordinary movie, my wife and I actually saw it. Have you seen it yet?

PRESIDENT BUSH: I have not. I wouldn't call it "a lighter note," and I suspect the movie touched you.

MR. KUDLOW: It did.

PRESIDENT BUSH: And it's a remembrance of the nature of the world in which we live. It is also remembrance of the heroic action that Americans were--are willing to take in the face of danger. I haven't seen it yet. I will see it.

MR. KUDLOW: Scott Beamer, the late Scott Beamer's dad, David, was on our program. He wrote a great article in The Wall Street Journal, and he said essentially, that when the passengers retook that plane, he called it the first counterattack for World War III.

PRESIDENT BUSH: Yeah.

MR. KUDLOW: I didn't know if you saw that. I don't know if you have a thought on that--

PRESIDENT BUSH: I believe that. I believe that it was the first counterattack to World War III. It was, it was unbelievably heroic of those folks on the airplane to recognize the danger and save lives.

You know, it's been one a the--war is terrible, but war brings out, you know, in some ways, it touches the core of Americans who volunteer to go in to combat to protect their--so it touches something unique, I think about our country. That there are people, who in the face of danger say, "I want to help. I want to save lives. I want to serve my country." And we see that here. We've seen that throughout our nation's history and we're seeing it here in the 21st Century.

And morale in our troops are high, Larry, because they understand the stakes and they know they've got a government that supports 'em strongly, and they know they've got a people that are standing with 'em.

And, you know, I know there's debate about this aspect of the war or not, but the American troops have gotta understand that the American people are impressed by their courage and support 'em in their mission.

MR. KUDLOW: Thank you for that. Last one.

I know you're a reader. You enjoy reading books. A mutual friend, Greg Mankiw, formerly your top economic adviser, had said that he had sent you a copy of Milton Friedman's old book, Capitalism And Freedom. I didn't know if you recall that.

I was going to ask you if you had read the old Friedman book.

PRESIDENT BUSH: I have not read the old Friedman book yet. I appreciate Mankiw's generosity. I did have a conversation with Milton Friedman when I was out at--in Palo Alto, I think two weekends ago. He's a really interesting speaker. He's a smart guy.

And one of the topics of conversation we had was the notion about people being able to buy health care over the Internet. In other words, it's a way to create a market for the individual health care--a market for the individual purchaser in the health care field.

I strongly support that notion, and of course he's, you know, he's so far ahead of me in his thinking, that he then thought about--Well, why is it against the law? Why isn't a constraint to trade? I proudly informed him I was not a lawyer, I was, you know, a history major, but nevertheless, I took his words seriously. But he's always thinking. He's one of the really smart people in America and we're lucky to have thinkers like him.

MR. KUDLOW: Mr. President, thank you very much for coming on the program.

PRESIDENT BUSH: Enjoyed it.

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